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### Export Marketing: Exchange Quest or Relationship Evolution?

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## **EXPORT MARKETING: EXCHANGE QUEST OR RELATIONSHIP EVOLUTION?**

This paper questions the universality of a premise that exporting starts with export intent, then the development of export strategy, followed by a search for and identification of and negotiation with others, with whom relationships are developed. Using previous work on interpersonal relationships, it presents an alternative approach and model: that export intent and strategy itself evolves from extant relationships, in which export aspirations and understandings are shared and developed.

An empirical study of *interpersonal* relationships trust in three young rapidly growing export oriented entrepreneurial businesses are examined in depth, together with their export outcomes, explores these contrasting propositions. To access the interviewees underlying considerations and beliefs, lengthy conversations were led from non-directive questions, with protocol analysis of transcripts and notes.

The most significant export relationships arose from the evolution and development of existing, strong interpersonal relationships. Relationships developed from a quest for exchange were shallower, had a shorter-term focus, and were more likely to break down. The alternative premise, that important export strategy and exchanges develop from extant relationships, was found in these successful entrepreneurial businesses. These interpersonal relationships are important resources for the export performance of dynamic entrepreneurial firms, and shape the internationalisation strategy.

### **INTRODUCTION**

The standard premises about business relationships are that they exist, and that economic exchange is the primary reason why they were created (Ford, 1998). Interpersonal interaction has also been widely seen to be important (MacNeil, 1980, Heide and John, 1990, 1992). For example, research into business services following the work of Czeipel (1990), Gabbott and Hogg (1996; 2001), Klaus (1985) and Solomon et al (1985) has indicated that 'the interaction between the purchaser and provider is a key part of the product and is inseparable from both... [and thus] the behaviour of each party has a direct effect on the outcome achieved' (Dibben and Hogg, 1998). Even here, however, the precursor to these exchange relationships is, first, a rational analysis of the exchanges that are needed, second, a search for relationships that may fulfil them, and, third, negotiation of appropriate exchanges.

This paper theoretically and empirically re-examines the universality of this process. It does this by first reviewing two streams of research – export performance and strategy, and relationship-based marketing – that both purport to examine the role of relationships in marketing. In the light of this review, it then considers the nature of interpersonal relationship development in more detail. Contrasting researchable propositions are established, concerning the place of a) exchange and b) trust and cooperation in export relationship development. These are explored in an empirical study of the precursors to export market development in three young businesses.

## **THE PLACE OF EXCHANGE IN EXPORT RESEARCH**

### **Export performance and strategy**

Most export behaviour research is based on the notion of exchange based relationships. It has been criticised not only for being fragmentary but also for producing contradictory findings (Aaby and Slater 1989; Zou and Stan 1998). In order to derive a clearer understanding of export behaviour, therefore, a number of reviews have sought to provide frameworks that organise and integrate findings. These frameworks typically start with a paradigm whereby a firm is seen as first developing and then implementing export marketing strategies, so are based on the notion that the relationships formed to do so are to fulfil exchange intent (Styles and Ambler 2000).

Such integrative reviews of the determinants of export marketing performance have therefore had a narrow view of the role of relationships. The evidence used has focused on the link between export performance and close relationships with intermediaries, usually agents and distributors. Leonidou et al's (2002) meta-analysis of studies published over the last thirty years of the impact of export marketing strategy on performance indicate that visits to export markets and dealer support based on effective business relationships are associated with improved export performance. A wider review of the determinants of export performance found evidence for the importance of channel relationships but were able to say little else specifically about relationships (Zou and Stan, 1998). Clearly, a wider interpretation of how the role of relationships affect export performance is needed.

Such a wider interpretation may be seen, at least in the first instance, in export marketing strategy research. This is recognising the importance of 'relational strategies', a firm's ability to manage relationships and develop external networks, which is associated with export success. These include distribution channel relationships, customer relationships, supply chain relationships and interactive promotional visits and market visits (Keeble et. al.1998; Katsikeas et. al. 1997). Several studies (e.g. Hellman, 1996; Coviello and Munro, 1997; and Crick and Jones, 2000) indicate that firms with excellent relationship-creating skills, and which deploy them to achieve closely managed (personal, interactive, trusting, and long term) partnerships with foreign distributors, customers, and other relevant market actors, are highly likely to gain exporting success (Wheeler and Ibeh, 2001).

National governments have further recognised the role of relationships in export marketing in new innovative schemes to help firms develop networks of relationships with other firms, rather than in more traditional forms of export support (Welch et al., 1998). Welch et al. also suggest that the outcomes of networking should be used as a measure of export performance, something which has not been incorporated directly in reviews of the determinants of export performance

Recognising the importance of strategies of relationship development, relationships are now being researched more fully. Styles and Ambler (2000) developed a conceptualisation of, and provided empirical evidence for, the role of social relationships in export marketing strategy. They argue that 'the

progressive evolution of information acquisition, learning and knowledge [is] essentially a social phenomenon, at least in the early stages' (p.264). They examine relationship variables that include trust and relationship commitment, and argue that relationships begin with experiential data gathering, which they call learning. They also note, however, how the export literature gives little guidance on relationship building. Some new evidence highlights the influence of personal relationships in the initial export decision. In 31 cases of export initiation investigated by Ellis and Pecotich (2001), social ties were found to play an important role in the decision to start exporting.

### **Research into relationship-based marketing**

It is unsurprising that those whose starting premise is transactions adopt an exchange approach (e.g. Jap and Ganesan, 2000 and Houston and Johnson, 2000). Yet even a review of the 'roots and directions' of relationship marketing theory (Moller and Halinen, 2000) has suggested that this approach is also taken by those who make relationships their starting point, notwithstanding subsequent 'markets' or 'networks' preconditions, even in recent work. In an attempt to establish a continuum of exchange relationships from straight-forward transactions to an integrated hierarchy of relationships (in terms of their potential impact on strategic decision making) Li and Nicholls (2000) cite exchange orientation as the fundamental underlying determinant of even the most developed types of relationships.

Similarly, Chein and Moutinho (2000) draw on a range of earlier work to suggest seven basic propositions of the network and relationship view of market behaviour. Among these they list '[h]umans engage in behaviour directed at managing daily life through consummating exchange', '[h]umans are able to create innovative behaviours directed at securing sustainable surroundings through facilitating exchange', '[i]nstitutional frameworks exist which are directed at consummating and/ or facilitating exchange' and '[t]he potency of each party is increased as the consequence of exchange' (p.585). Each of these 'basic relationship marketing premises' is described as a 'condition necessary for there to be the potential for exchange' (ibid.). Even in this marketing tradition, an ingrained premise remains whereby interpersonal interactions are assumed to arise from pre-existing exchange need.

This perspective does recognise different stages in relationship development. Jap and Ganesan (2000), for example, suggest four sequential phases, exploration, build-up, maturity and decline. The 'exchange need' premise, however, determines that trust and cooperation (and therefore the development of relationships) comes from consistent buyer behaviour (Cheung and Turnbull, 1998, Dyer and Chu, 2000, Walter, 2000). While this research recognises the importance of trust and cooperation in exchange relationships, it rarely explores (to any significant extent) either how they come about or how they interrelate to affect behaviour (Ghauri, 1996, Wilkinson and Young, 1997, Nidam, 2000). So 'trust' continues to be discussed in the marketing literature in general terms, and not in ways which enable

meaningful and operational conceptualizations to be derived (Jevons and Gabbott, 2000, Hennig-Thurau, 2000, Knight, 2000; Doz, 1996, Ghauri and Usunier, 1996; Grabher, 1993; Hakansson, 1987).

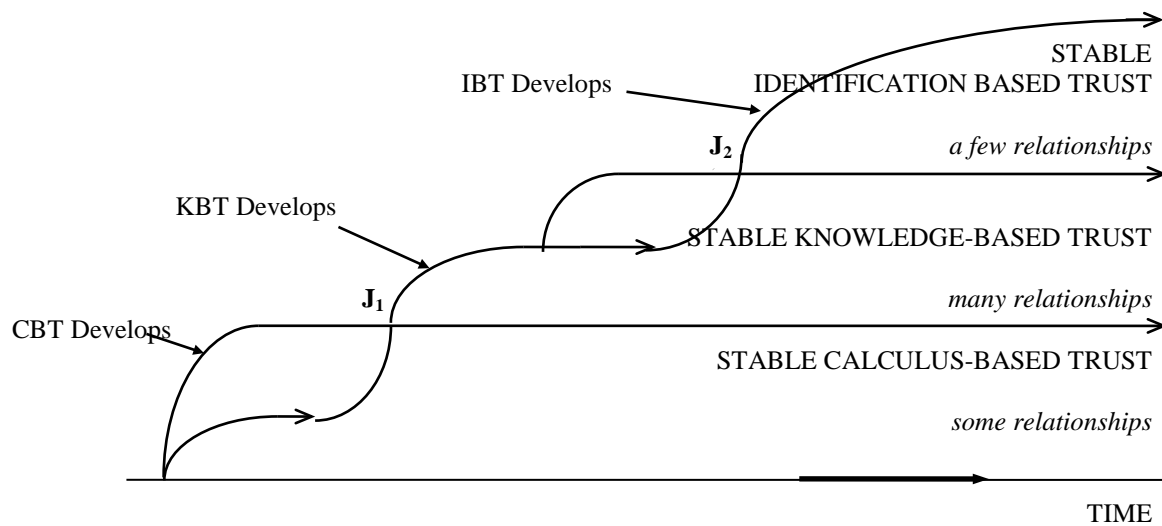
One reason for this tendency may be the way that relationships have been viewed in the marketing literature. It is not that exchange is the *sine qua non* of all business and marketing research examining the nature and impact of relationship development. Rather, the ingrained exchange premise introduces a number of simplifying (and not necessarily universal) assumptions. For example, while the role of interpersonal relationships is acknowledged, the organisation rather than the individuals involved is usually held as the primary focus of study (Knight, 2000, Hakansson and Snehota, 1998, Ford, McDowell and Tomkins, 1998, Solberg and Nez, 2000). Similarly, when trust is brought in, it tends for the sake of simplicity to be studied as organisational trust, the averaged-out view of key players in the firm (Blomqvist and Stahle, 2000, Dyer and Chu 2000, Raimondo, 2000).

So in examining the basis of relationships that underpin marketing and export behaviour, it is necessary to go outside the more familiar marketing literatures. There is a varied trust literature that could contribute, but herein lies another reason for this exchange-focus tendency. This literature historically either examines the nature of trust itself, or isolates trusting behaviour determinants. This makes it difficult to achieve a readily researchable operational construct that adequately and sufficiently encapsulates both the acknowledged complexity of the concept, and the processual and qualitative nature of the phenomenon. This literature does, however, deal with two underlying concepts that appear to be of value, trust and cooperation, and going back to these may help to derive a useful and operationalisable construct for marketing research.

## **TRUST AS THE FOUNDATION OF INTERPERSONAL RELATIONSHIPS**

While recent theoretical discussions of trust (e.g. Kramer and Tyker, 1996; Sitkin et al., 1998) have drawn on earlier studies to identify what determines trust in given situations, this work has ignored the *quality* of the trust developed and the impact it has on the relationships concerned. Harris and Dibben (1999), however, have drawn directly on trust theory in attempt to unpack the complexity of the trust that may underpin marketing relationships. Figure 1 shows a typology of interpersonal trust development in professional relationships that they have used, which was first proposed by Lewicki and Bunker (1995, 1996).

This trust exists in one individual for another individual, and not at the level of the organisation; 'the trust between two people' is two trusts, one in each person (Dibben, 2000). The model, summarized in Table 1, accounts for the development of trust in one individual or another over time (Stack, 1978, Luhmann, 1979; Powell, 1996; Giffin, 1967, Worchel, 1979), and provides 'trust identifiers' - perceived similarities and differences in professional knowledge and individual character.



At  $J_1$ , some-CBT relationships become KBT. At  $J_2$ , a few KBT relationships, become IBT.

**Figure 1. The Stages of Trust Development (Lewicki and Bunker, 1996)**

In circumstances where exchange is paramount, individuals will be more willing to abandon a relationship (e.g. Hibberd, Kumar and Stern, 2001). Shallow ‘Calculus Based Trust’ (CBT) is based on an economic calculation compared the outcomes of creating and sustaining the relationship with the costs of maintaining or severing it, and is characterised by intimations of *difference* between individuals. Characteristically short term, the relationships are to fulfil immediate marketing needs (Lewicki and Bunker, 1996). In contrast, ‘Knowledge Based Trust’ (KBT) is based on a history of interaction between two individuals that allows each to make predictions about the other. ‘Identification Based Trust’ (IBT) arises when the parties understand and appreciate each other’s wants to such an extent that each can act and substitute for the other in interpersonal interactions.

**Table 1. Trust and Cooperation Criteria (Harris and Dibben, 1999; Dibben, 2000)**

TRUST TYPE	DESCRIPTION
Calculus-Based	Trust formed between individuals in the early stages of a relationship on the basis of what each sees s/he can get out off the relationship: a ‘market’ economic calculation where the outcomes of creating and sustaining the relationship are compared to the costs of severing it. Characterised by intimations of <i>difference</i> between individuals, and a lack of shared knowledge of the situation.
Knowledge-Based	Trust formed over a period of interaction between individuals on the basis of shared knowledge. Characterised by <i>intimations of similarity / agreement</i> between the individuals, allowing each to make predictions about the other and thus reduce uncertainty.
Identification-Based	Trust with a high degree of identification with the wishes/intentions of the other individual, such that each can act and substitute for the other in interpersonal interaction. Characterised by strong agreement between the individuals in the situation, and intimations of <i>mutual sharing of values</i> .
COOPERATION CRITERIA	
Utility	An individual’s perception of the <i>potential economic value</i> (‘economic profit’) of a situation. Characterised by positive intimations of the effect of cooperation on the individual’s business.
Importance	An individual’s perception of the <i>potential non-economic value</i> (‘social profit’) of a situation. Characterised by positive intimations re the effect of cooperation on the individual’s relations/standing.
Risk	An individual’s perception of the <i>potential social/economic loss</i> from a situation. Characterised by negative intimations regarding the effect of cooperation.
Competence	An individual’s perception of the <i>professional ability</i> of another individual in a situation. Characterised by comments regarding (e.g.) business acumen c.f. other individuals and self.
Self-Competence	An individual’s perception of his <i>own ability</i> in a situation. Characterised by comments regarding (e.g.) business acumen c.f. others.

## EXPLORATORY PROPOSITIONS AND MODEL

The first approach that has been distinguished in this paper has evolved from the study of exchange. This is the focus of study not only in the mainstream literatures concerning export behaviour and performance and export marketing strategy but, perhaps more surprisingly, also in the rather more specialist industrial marketing and purchasing literature that explicitly concerns itself with relationship-based research. This tradition leads to the following propositions:

**P1a.** *Exchange is necessary for export business relationships to exist.*

**P2a.** *Export business relationships are developed in the pursuit of exchange potential.*

**P3a.** *Relationships are not (in and of themselves) a source of export opportunity.*

The other approach from marketing research has suggested that relationships, and the trusts that lie within them, arise *as a result* of marketing successes and not as a precursor to them. By focusing on the relationships and the trust within them, a range of propositions can be developed which stand in almost complete opposition to those developed from research focused on marketing outcomes:

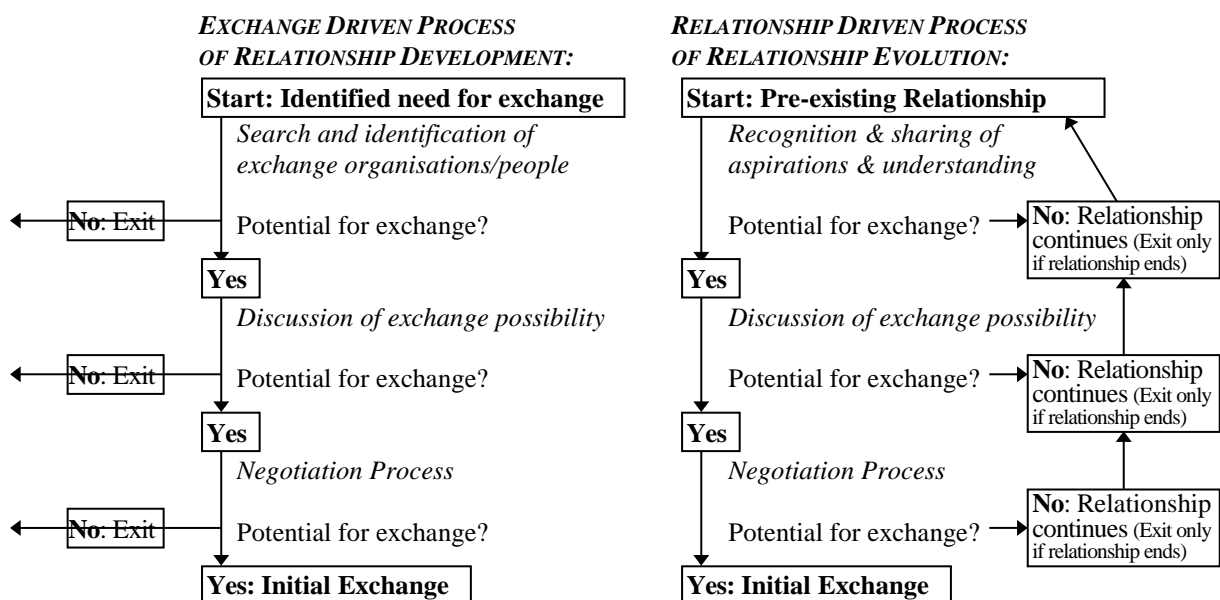
**P1b.** *Export relationships can develop from relationships formed without exchange potential.*

**P2b.** *Export relationships develop from trust formed within interpersonal relationships.*

**P3b.** *Interpersonal relationships (friendships), with deeper bases of trust (knowledge and identification), are an important source of exchange opportunity.*

Figure 3 represents the two processes of relationship development that have been distinguished in this paper. Where existing relationships are the driver, the intrinsic value of the relationships is recognised, and the relationship will continue at a level; evolution of such relationships towards business exchange occurs naturally when exchange opportunities present themselves.

**Figure 3. Export Development: A comparison of the two approaches**



Pursuing the relationship focus further, research investigating trust and cooperation allows specific propositions to be drawn concerning the kind of exchange and the types of relationships that will result from the relationship-driven approach, in comparison with the exchange-driven approach:

- P4. The search for export-based exchange will drive the development of Calculus Based Trust relationships, which will tend to be of a short duration. Exchanges based on longer established Knowledge and Identification Based Trust relationships will be of greater strategic significance.*
- P5. Interpersonal relationships formed as a result of the search for exchange will be valued according to their potential for economic profit (utility) and their low potential risk.*

## **RESEARCH APPROACH**

The aim of the study is to explore the possible relevance and nature of the propositions and to refine the theoretical notions from which they were developed, in the light of empirical data. The focus was the exchange development processes - what may or may not go on even before the 'negotiation' phase that enable business exchanges to take place. This involved a study of the beliefs and rationales of relevant individuals, and the background behind the approaches those individuals used. The study particularly needed to access the origination and full history of important business relationships, and the perceived nature of the interpersonal relationships lying within them. These requirements indicated both the appropriate approach and the nature of appropriate subjects for empirical study.

A qualitative exploration of appropriate individual person based cases was indicated (Eisenhardt, 1989; Silverman, 1993; Yin, 1994). Since reasonably detailed hypotheses based on a-priori research were being explored, verbal protocol analysis was used to analyse the transcripts and notes from extensive interviews of appropriate individuals (Ericsson and Simon, 1985). The theory (described in Table 1) was used to develop protocols that directly relate to the propositions but also include their alternatives, many (but not all) of which are dichotomous, summarised in Table 2.



**Table 2. Characteristics of Exchange and Relationship Driven Processes**

	<b>Exchange Driven Process</b>	<b>Relationship Driven Process</b>
Process:	Search for Exchange Exchanges	Relationship Evolution Relationships
Pursuit & development of: Passive approach to:	Relationships	Exchanges
<i>Relationship:</i> Exchange: Trust: Relationship Value:	Necessary Shallow... Calculus Utility	Not Necessary Deep... Kdge & I Importance
<i>Nature of exchange:</i> Intended duration: Potential Risk:	Short-term Low Risk	Long-term High Risk

With the phenomena being individual, subjective, and described within extensive personal discourses, the analysis procedure was adapted to allow a range of expressions to indicate one protocol, and more than one protocol to be indicated by a single expression. Analysis involved coding to the alternative protocols all transcript discussions pertaining to each relationship, possibly (where they were not mutually exclusive) to both, and possibly to neither. Following Berelson (1954), a proportion of the transcript material was multiply coded to minimise the risk of individual coding bias in the process.

The case interviewees studied, founder chief executives of profitable young international businesses, were of particular amenability and interest for this study. They had been trained, as fresh graduates, in an intensive 3-month programme (with later follow-up support) that aimed to help them to develop successful new businesses. The interviewees were the only alumni of that programme to have developed substantial export business - the others had either failed to develop successful businesses, or their businesses were domestically focussed.

The programme itself had a particular dominant rational, analytical 'planning' paradigm concerning all aspects of business development. There was an emphasis on 'networking' and on the fostering and development of interpersonal business relationships, solely as one instrument in a marketing strategy that sought to pursue business goals and plans (Fletcher, 1999). The taught approach, therefore, was the conventional one that the pursuit of exchange drives relationships, rather than that the pursuit of relationships drives exchange. The business plans produced at the time indicated indoctrination in this

approach, and any variation from this approach now could be characterised as their ‘lessons of experience.’

This indoctrination about what they ‘should’ do, however, also presented challenges within the interview approach, by influencing the data revealed: the interviewees might have expressed what they should have been doing rather than what they were doing. A ‘native category’ approach to data gathering was therefore adopted (Buckley and Chapman, 1997; Harris, 2000). Following Calori et al. (1994), tightly directed questions derived from theory were avoided in favour of extensive conversations about beliefs and perceptions around non-directive questions. Nevertheless, strict consistency and some structuring of the interview process was necessary to direct discussion to relevant topics and to achieve equivalent data (Eisenhardt, 1989). No prompts were used to pursue issues (such as relationships or exchanges) not raised by the interviewee, and no clues were given as to the areas of interest of the interviewer (Strauss and Corbin, 1991). Any perceived pressure to rationalise responses into a particular paradigm was lessened both by an explicit declaration that rationales would not be sought, and by adopting ‘What you think about when you consider the future of your business’ as the overt focus of discussion. Exchanges and relationships, as well as all the other ‘native category’ issues the interviewees raised were discussed at length with relevant, consistent, follow-up questions.

Despite these clear similarities between the CEOs that yielded a useful data set for analysis, there were significant differences in the interviewees’ industry contexts. ‘Electronics’, a graduate in electronic engineering, designs and sells electronics equipment used to design complex chemical structures, mainly for the US pharmaceutical industry. Though all manufacture is subcontracted, he has just taken on his 15<sup>th</sup> employee. ‘Furniture’, a design graduate, designs, makes and sells upmarket bespoke corporate furniture to customer design briefs. He now employs 55 people, following sales growth in both his domestic market and in other North European countries. ‘Golf’, a sports graduate, has built up a specialised tour organising company selling bespoke and packaged golfing holidays to American and Japanese golfers. Sales have recently rocketed as a result of a new international joint venture with two competitors. He directly employs only 5, but a considerable number of sub-contractors rely on his business.

## **FINDINGS AND DISCUSSION**

### *The nature and source of the important business relationships*

Tables 3 and 4 summarise pertinent features of the important business relationships, as revealed in the interviews. The electronics and tourism firms under study each revealed three important relationships (E1, E2, E3 and T1, T2, T3 respectively), while the furniture firm revealed five (F1, F2, F3, F4, F5).

Electronics’ business had not really begun to establish itself in a substantial way until he met E1, a much older man who had established, grown and successfully sold out a business in a similar business

area. Then facing a cash shortage, Electronics initially approached E1 for venture funding. E1 saw value in Electronics' technology, but not in his business approach. Over the next four years, the two formed a close relationship, in which E1 acted as a guide and mentor. Electronics, reflecting some pain, describes how E1 had emphasised that Electronics had a technology, and not a business, and "needed to go out and meet some people". With E1's guidance and facilitation, Electronics undertook a number of open-ended visits, to the east coast of the United States, to meet people in customer, competitor and parallel industries, through attending important trade fairs and through direct approaches and visits. There was to be no agenda to these meetings: Electronics was not selling, he was simply meeting, discussing and learning. In E1's terms, he was 'finding a business'.

A market focus emerged – the pharmaceutical research industry needed his technology, and would be prepared to pay for it. This led to a (previously absent) product focus. Within a year one pharmaceutical manufacturer gave a contract that effectively financed the tailoring of the technology to meet its industry's needs. The issue is now to sell and distribute in the United States, and here, two relationships were emphasised.

Electronics first met E2, senior company executive in a large electronics company when he was trying to sell him his technology. E2 was not interested in buying, but a relationship evolved in which E2 was always ready to chat about the industry, sharing his long-term knowledge of the different firms. Though E2 has now become a customer, Electronics regarded this as a minor element of the relationship. Most important is the advice and council that E2 continues to give: he has guided Electronics in the establishment of a direct marketing operation, being established by a new marketing manager, a younger former colleague of E2 recommended by him. A supporting distribution arrangement in the US run by E3, is planned. E3 was known to E1, who provided the initial contact, and in the two years since they met, they have talked from time to time about how to get distribution in the US. E3 has supported E2's view about establishing a marketing operation, and is now ready to provide a field support along the Eastern Seaboard. A shallower relationship, it would probably have withered without the potential for a distribution arrangement.

Furniture's five relationships were all long-standing: F1 and F2 were personal friends before the business was even formed. They were important with or without exchange, though exchange subsequently did or was planned to take place with all. Furniture had known F1, a marketing consultant, since university, but they rarely discussed business. Furniture had recently mentioned that he had a marketing problem, and F1 had suggested that he help on a professional basis. Furniture was initially reluctant, seeing F1 in a rather than professional perspective. He became deeply impressed at F1's depth of perception, and the creativeness of his ideas. A new marketing approach was developed together, which proved highly effective, and a trusted professional relationship, involving exchange, has been overlaid on the previous personal, one.

F2 was a long established foreign competitor who had previously been a supplier to Furniture for many years. Though the supplier link had become irrelevant, a personal friendship had remained, and Furniture respected F2's knowledge of the future market. Recently, they had concluded a back-to-back marketing relationship, whereby each markets and distributes the other's products in their home markets. F3 was a friend who worked for a Danish competitor, who had met socially as a result of Furniture's business in that country, and over the years had talked at length about the Scandinavian markets. Eight years on, F3 was tired of his job, and the two friends were planning a new joint venture to better address the Scandinavian market, with F3 leaving his current position to head it up. The relationship with F4, an Irishman, was less close, but Furniture had deep trust in his knowledge and ability in the industry. F4 had recently returned to his homeland with a marketing and distribution agreement with Furniture for the whole of Ireland. With F5, a highly respected well-known designer, he discussed design rather than industry issues. They had a long-term joint-venture, but involving exchange on a project-by project basis. This gave F5 a stake in the success of the products he designed, and Furniture a strong benefit from association with the famous man.

Tourism described three important relationships, reflecting the recent explosive growth of his recent joint venture, though it was clear always that, perhaps because the nature of his business, social, trust-based relationships had always lain at the core of his business. He met T1 five years ago, in the café of a trade fair. Both were tired after the day's work, and had just begun chatting, which continued over lunch the next day. T1 owned a similar though much larger and better-based American company. T1's extensive experience was of interest to young Tourism. Both keen golfers, they arranged to play a round or two, over which the kernel of a business idea formed. T1 set-up to meet with T2, a long-standing English partner, with whom he had a strong back-to-back marketing agreement. In the ensuing 18 months, a new venture was created, encompassing substantial merger of the business of all three companies. Both T1 and T2, both in their 50's, hope to sell out, and either tourism will buy the whole business, or it could be sold (through flotation or trade sale), with Tourism heading the management team.

**Table 3. The nature of the important relationships**

<b>FIRM:</b>	<b>Electronics</b>			<b>Furniture</b>					<b>Tourism</b>		
<b>Relationship:</b>	<b>E1</b>	<b>E2</b>	<b>E3</b>	<b>F1</b>	<b>F2</b>	<b>F3</b>	<b>F4</b>	<b>F5</b>	<b>T1</b>	<b>T2</b>	<b>T3</b>
<b>Age in years</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>12</b>	<b>8</b>	<b>12</b>	<b>7</b>	<b>8</b>	<b>5</b>	<b>5</b>	<b>2</b>
<b>Exchange needed?</b>	<b>NO</b>	<b>NO</b>	<b>YES</b>	<b>NO</b>	<b>MAINLY</b>	<b>NO</b>	<b>NO</b>	<b>NO</b>	<b>NO</b>	<b>NO</b>	<b>YES</b>
<b>Exchange realised?</b>	<b>YES</b>	<b>YES</b>	<b>PLANNED</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>PLANNED</b>	<b>YES</b>	<b>YES</b>	<b>PLANNED</b>
<b>Depth:</b> <i>Shallow or Deep</i>	<b>D</b>	<b>D</b>	<b>S</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>S</b>
<b>Form of Trust:</b>	IBT, KBT	KBT	KBT, CBT	IBT, KBT	KBT	KBT	KBT	IBT, KBT	IBT, KBT	KBT	KBT, CBT
<b>Basis:</b>	Identif'n of common experience & he knows the business	They get on: he knows the industry & the competition.	Will distribute in US, knows specialist market well	Personal friend who knows the business	Close relationship, long, specialised experience	Known personally for years	Known personally.. he's been in the business for years	Have known him on and off for years	Met socially and respected for knowlege, a mentor.	T1 introduced, knowledge & achievement respected	Met socially, good knowledge of Japanese market,
<b>Value:</b> <i>Utility or Importance</i>	<b>I &amp; U</b>	<b>I &amp; U</b>	<b>U</b>	<b>I</b>	<b>I &amp; U</b>	<b>I &amp; U</b>	<b>I &amp; U</b>	<b>I</b>	<b>I &amp; U</b>	<b>I &amp; U</b>	<b>U</b>
<b>Basis</b>	Provided business re-conceptualization, its product & distribution	Most valued for product & distribution advice, now a customer	Provides access to US market, sounding board, advice	Its all about changing the image of the business	Benefits of association improves sales	Enables better access to English Market	Enables access to the Irish market	Link for strategic development in new countries	Knew socially and respected. Now US link in their JV	Provides adv-ice & access to English market	Tourism needs a Japanese partner to access that market better
<b>Intended duration</b>	<b>L</b>	<b>L</b>	<b>L</b>	<b>L</b>	<b>L</b>	<b>L</b>	<b>L</b>	<b>L</b>	<b>L</b>	<b>L</b>	<b>L</b>
<b>Short- or Long- term Potential Risk: Low or High</b>	<b>H</b>	<b>H</b>	<b>L</b>	<b>H</b>	<b>L</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>H</b>

**Table 4. The origins of the important relationships**

<b>FIRM:</b>	<b>Electronics</b>			<b>Furniture</b>					<b>Tourism</b>		
<b>Relationship:</b>	<b>E1</b>	<b>E2</b>	<b>E3</b>	<b>F1</b>	<b>F2</b>	<b>F3</b>	<b>F4</b>	<b>F5</b>	<b>T1</b>	<b>T2</b>	<b>T3</b>
<b>Age in years</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>12</b>	<b>8</b>	<b>12</b>	<b>7</b>	<b>8</b>	<b>5</b>	<b>5</b>	<b>2</b>
<b>Nationality</b>	<b>UK</b>	<b>UK</b>	<b>UK</b>	<b>UK</b>	<b>UK</b>	<b>UK</b>	<b>Ireland</b>	<b>UK</b>	<b>US</b>	<b>UK</b>	<b>Japan</b>
<b>Residence</b>	<b>UK</b>	<b>UK</b>	<b>US</b>	<b>UK</b>	<b>UK</b>	<b>UK</b>	<b>Ireland</b>	<b>Denmark</b>	<b>US</b>	<b>UK</b>	<b>UK</b>
<b>Where met</b>	<b>UK</b>	<b>UK</b>	<b>US</b>	<b>UK</b>	<b>UK</b>	<b>UK</b>	<b>UK</b>	<b>UK</b>	<b>UK</b>	<b>UK</b>	<b>UK</b>
<b>How met</b>	Local Business event	Direct approach	Introduced by E-1	Met at work before started business	Met at business confer'nce in London	Met at work before started business	Met as a competitor fighting for a client	Met at University	Met at a trade fair in London	Introduced by T-1	Met socially in course of business in the UK
<b>Marketing Function of the relationship</b>	Domestic & export customer identification & contact.	Helping relationships with large company customers.	Marketing & marketing organization in the US	Helps market profile	Helps business image in the market	Sales in England	Export sales in Ireland	Export sales in Scandinavia	Export sales to Japan	Export Sales in England and other European countries	Export sales to Japan
<b>Characteristics of relationship</b>	Talks every day, more if pos., trusted v. deeply. Knows contacts & approaches. Now shareholder & Chairman	Approached him as a potential customer. Didn't buy, but became friends. Chat regularly & socially.	Approached him as potential distributor. They get on, & chat about things. Now making plans for new market entry.	Constantly talking to him and dealing with him... at least once a week.	A joint venture relationship improves sales on a project basis	A very important back to back market-ing relationship based on deep knowledge based trust	Important foreign distribution agent based on deep trust	Personal friendship without exchange, F-5 married a Dane & emigrated, Now developing Scandinav'n operation	Talks things through at least once a week: planning their JV business together	Talks things through at least twice a month: planning their JV business together	Are discussing the industry & the market now planning a partnership.

At the root of this whole business idea is a range of industry perspectives and understandings unknown to Tourism, T1, or T2 before their meeting. The very idea of the exchange has evolved from their interaction. The project, however, has now driven an important new relationship with a Japanese potential partner, T3, whose marketing presence in Japan can help bring Japanese golfers both to America, England and T3's home market. While T3 is known and respected for his knowledge, the relationship is shallow, and exchange depends mainly on calculated mutual benefits by both parties.

As a final point, it is interesting also to consider the origins of the eleven interpersonal relationships studied. Table 4 reveals that the export behaviours of the three firms studied arise out of relationships that (a) are between UK nationals (except F4, T1 and T3), (b) were established among individuals as a result of an initial meeting in the UK (except E3), and (c) are not necessarily in and of themselves concerned with export sales.

#### *The approaches and processes of relationship development*

Table 5 presents a different focus: not the relationships themselves, but the revelations from the interview transcript concerning the individual business leader's approaches to business relationship development.

Continual financial crisis bedecked the first six years of Electronics' business. His relationships were driven by a need to sell. As E1 pointed out to him, no customers would buy from an unestablished electronics engineer with an unproven technology and no product. It could not be trusted. He could not be trusted. Somebody, a potential customer, needed to be able to trust him as a person, and this would present him with his first market, and his product. Electronics' first customer, a pharmaceutical company, paid for the tailoring of the product, subsequently acquiring the product more cheaply and earlier than competitors, and a valuable development relationship with Electronics,. A shy man, Electronics enjoys his discussions with E1 and E2, he dislikes the 'relationship development' process. Market development overseas is now being led by a marketing manager that E2 has found for him, who will also 'take over' the shallower E3 relationship.

The personal inclination of Furniture was different. Before going to university, he had worked in marketing within the furniture industry, and had already got to know F1 and F2. He never entirely bought the marketing approach taught him – though did so for a while. He went out 'networking' to establish exchange, but it was not a great success. He now regrets not having spent more time, at an early stage, forming more relationships with the main 'movers and shakers' in the industry, just to find people that he might be able to get along with. He continues to do this now, but believes that now he is better established, people in the industry can see him as a threat. Most of his exchange relationships have interpersonal relationships at their root, within which ideas about products and

business ideas accrue. His relationships with designers enhanced his firm's reputation for design oriented contract furniture.

Tourism never bought the marketing approach that he was taught. He is a social person, and it is difficult for him to separate personal from exchange relationships – all his exchange relationships have always had strong personal elements. The early development of his business was based on his golfing expertise, and the relationship he had with people that he knew in the industry. The only marketing approach that has worked for him has been referral. Only three relationships that were of dominant significance and importance at the time were discussed in depth: many others had been important in earlier years. While his relationship with T3 is exchange-driven, the exchanges involved with T1 and T2 are so important that deep levels of mutual trust were required before they could take place.

**Table 5. The approaches and processes of relationship development**

<b>FIRM:</b>		<b>Electronics</b>
<i>Nature of Process:</i>		<b>Now Relationship driven:</b> Now accessing people through E-1 and recruiting a manager
	<i>Rel's</i>	<b>NOW:</b> Belatedly recognised need for relationships, but personally finds it difficult. Has a few good relationships, and is using these to develop others.
	<i>Exchs?</i>	<b>PREVIOUSLY:</b> Training had emphasised the need for networking to sell, but this was insufficient.

<b>FIRM:</b>		<b>Furniture</b>
<i>Process:</i>		<b>Relationship driven:</b> Actively seeks 'movers & shakers, and also people for project ideas
	<i>Rel's?</i>	<b>YES:</b> On projects, seeking product views for medium term, & views / impressions for the industry future. Relationships also help to improve image & thereby, sales



	<i>Exchs?</i>	<b>NO:</b> 'You can't chase these things, or people see you as a threat'.
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<b>FIRM:</b>		<b>Golf</b>
<i>Nature of Processes:</i>		<b>Relationship Driven:</b> Has always engaged with different people in the industry.
	<i>Relationships?</i>	<b>YES:</b> Active in business & industry bodies & forums 'Its useful to talk things through with people'. Locally, can lead to local suppliers. Wider, leads to distributors, customers, partners.
	<i>Exchanges?</i>	<b>NO:</b> Is seeking exchanges, but important ones only come from & trusted through the prior development of partnership relationships.

The necessary process of forming and planning the most significant exchanges itself required a relationship that enabled knowledge, and then, identification based trust to develop. Personal chemistry, possibly assisted by the nature of the business and the firms' needs meant that the relationship development into a business exchange relatively quickly. The pattern of this relationship development, however, was similar with Electronics' relationship with E1 and E2, and furniture's relationship with F1, F2 and F3. It appeared to be a necessary pattern, not for all exchanges, but for the most important. This pattern, the focus of this paper, will now be discussed further.

## DISCUSSION

The data gathering approach adopted in this study, in focusing on strategic issues and developments and the relationships involved in pursuing them, inevitably narrowed and biased the data array that was available for analysis to the current relationships perceived to be of strategic significance. It is this bias and focus, however, that has enabled a potentially important phenomenon to come into view.

From the data, exchange is clearly *not* needed for relationships to exist. Even although this study examined young businesses, only in three of the eleven business relationships examined (that were regarded by the interviewees as their most important) was exchange necessary. The other eight relationships all developed without exchange in mind, and directly or indirectly through pre-existing relationships; proposition P1a is not found and proposition P1b is found.

**P1a.** *Exchange is necessary for export business relationships to exist.* NOT FOUND

**P1b.** *Export relationships can develop from relationships formed without exchange potential.* FOUND

The notion that interpersonal relationships are formed as a result of the active pursuit and development of exchanges is also not supported by the data. Most of these important relationships originated before the exchanges *could* even take place or be thought of. It is within the development of these relationships that trust grows sufficiently to allow important, high risk exchange, and cooperation becomes feasible; proposition P2a is not found and proposition P2b is found.

**P2a.** *Export relationships are developed in the pursuit of exchange potential.* NOT FOUND

**P2b.** *Export relationships develop from trust formed within exchange.* FOUND

While this study can in no way capture an idea of the relative frequency of exchange-driven (compared to personal) relationships, these relationships were the less important. This is significant because the case CEOs had all been taught and trained in the process of exchange-driven relationships. Tourism never believed this to be an appropriate approach, Furniture half believed it but did not succumb to it before abandoning it, and Electronics wasted five years of business development before he abandoned it.

In all the most strategically important exchange-driven relationships, the anticipated exchanges had failed to materialise, and important interpersonal relationships had evolved as a result of the natural impulses of the individuals involved. Other very important relationships started from social, not exchange-driven interactions. All the important relationships of ‘exchange-focused’ Electronics were of this type. Electronics, like Furniture and Tourism, now only ever discussed important potential exchange with those with whom they had developed relationships. It follows that relationships appear to be actively pursued for their own sake, and the pursuit of relationships solely for the achievement of pre-planned exchange has been abandoned by all; proposition P3a is not found and proposition P3b is found.

**P3a.** *Relationships are not (in and of themselves) a source of export opportunity.* NOT FOUND

**P3b.** *Interpersonal relationships (friendships), with deeper bases of trust (knowledge and identification), are an important source of exchange opportunity.* FOUND

Interpersonal relationships are important for a variety of reasons. They have value in their own right, because they are enjoyable. They are the seedbed for future high value, high risk, long term exchanges because of the heightened trust and amenability to cooperation that they confer. They have business value aside from exchange, in terms of a source of discussion and counsel, and a knowledgeable arena for ideas generation. Here, there is a clear link to the resource-based view of the firm (Hall, 1992; Wernerfelt, 1994). For these young businesses, relationships are unique, difficult to copy, important intangible resources; so proposition P4 is found.

**P4.** *The search for exchange drives the development of Calculus Based Trust relationships, which will tend to be of a short duration. Exchanges based on longer established Knowledge and Identification Based Trust relationships will be of greater strategic significance.* FOUND

Since none of the relationships described were of a short-term nature, there was a data bias that limited an examination of whether or to what extent the interpersonal relationships formed as a result of the search for exchange have a short term duration. Nevertheless, exchange driven relationships (E3, T3, and, to a lesser extent, F2) were evident. These relationships were the most shallow, being based on calculus more than knowledge based trust, and not employing identification based trust at all. Only these relationships were formed to pursue utilitarian objectives, within which exchange was required, and supporting only these relationships carried low risk; hence proposition P5 is found.

**P5.** *Interpersonal relationships formed as a result of the search for exchange will be valued according to their potential for economic profit (utility) and their low potential risk.* FOUND

## CONCLUSIONS

This study suggests that interpersonal relationships may explain much of the development of the export activities of firms, at least in the young entrepreneurial business. This is in spite of the research on export performance, strategy and even relationships, which typically focuses mainly on

exchange-driven relationships. Recent research has begun to investigate the influence of activities on export development, but our understanding of this phenomenon is as yet limited.

While the ‘negotiation’ or ‘exchange’ phases in the export relationship may be a perfectly logical starting point, given the ‘exchange need’ premise of much current theoretical understanding, a change of focus can reveal another process leading to international business exchange. Many strategically important relationships developed by CEOs do not have economic exchange as either a goal or an outcome. Instead these relationships consist of the sharing of visions and understandings. It is from a sharing of visions and understandings and not from economic intent that the most strategically important export relationships (if not, perhaps, the greatest number of exchange relationships) were found to evolve. While in some cases exchanges resulted, they were not always of the type that were initially anticipated.

By taking the relationship and not the exchange as the subject of study, we can begin to see that important export exchange can be considered not only as the beginning of a process, but also as the outcome of a process. The importance of personal relationships goes beyond the mere maintenance of transactions; they may be the bedrock upon which economic transactions are founded. CEOs often pursue relationships rather than economic transactions *per se*: it is these relationships that they instinctively feel will provide the potential for strategic development, even though they don’t necessarily know the types of exchange that will result. In other words it is not the need for exchange that necessarily determines important relationships but, rather, it is the relationships that often drive the exchanges. In this respect, the study is illustrative of the fact that export relationships can arise from and be explained by interpersonal relationships formed in the domestic market circumstances.

If the focus of analysis remains the exchange and relationships based on exchange (which exclude other important relationships), and if the focus of the analysis is static rather than dynamic, then the importance and role of interpersonal relationships as a precursor to important exchange will be missed. This is because there are important interpersonal relationships between firms, themselves important resources, which represent possible but unknown future exchanges and interactions of an important but not utilitarian nature.

While economic need is self evidently imperative, the CEOs understanding of that need, and the realisation that it can be fulfilled as an export transaction, arises out of a process of *personal* relationship evolution. So the precursor to exchange relationships is not necessarily the search for exchange. Rather, the precursor to exchange relationships might be an open-minded engagement with other people, an evolution of shared understandings and, from that, an identification of potential business cooperation. These may, or may not, ultimately lead to actual business exchanges. Future research could benefit from considering relationships as important precursors to exchange, rather than

(as much of the contemporary literature would seem to indicate) considering them only as necessary for the subsequent maintenance and development of such exchanges.

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# **Export Marketing: Exchange Quest or Relationship Evolution?**

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